

Helmet Integrated Systems Limited

Directors' Report and Accounts

31 December 2000



BDO Stoy Hayward

HELMET INTEGRATED SYSTEMS LIMITED

Annual report and financial statements for the year ended 31 December 2000

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Directors

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Directors

I S Hoyle (Chairman)
R Phillips
K J Korny

Registered office

Moat Factory, Wheathampstead, St Albans, Herts AL4 8QT.

Company number

2766754

Registered auditors

BDO Stoy Hayward, Prospect Place, 85 Great North Road, Hatfield,
Herts AL9 5BS.

HELMET INTEGRATED SYSTEMS LIMITED

Report of the directors for the year ended 31 December 2000

The directors submit their report and the accounts for the year ended 31 December 2000.

Company law requires the directors to prepare accounts that give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for the financial year. In doing so the directors are required to select suitable accounting policies and apply them consistently; make judgements and estimates that are reasonable and prudent and prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company during the year was the design, manufacture, assembly, marketing and testing of protective helmets for military aircrew, emergency services, law enforcement, motorcyclists, respiratory hoods, visors and associated equipment incorporating communication systems, conventional headsets, Active Noise Reduction, microphones including bone conducting, cameras, radios, video recording and microwave transmission.

Turnover increased by 16.4% to £9.7 million with a corresponding increase in the profit before tax of 60.1% to £512,000. This level of turnover and profit is going to be difficult to achieve in 2001.

The company announced in December 2000 that it was looking to relocate from the Wheathampstead site in the next twelve to eighteen months into more efficient facilities. At the time of preparing this report the Directors are not in a position to forecast when this move would take place.

Investment continues in both development and marketing activities.

The results for the year are shown in the profit and loss account on page 4.

DIVIDENDS

An interim dividend of £200,000 was paid during the year. No final dividend is proposed.

HELMET INTEGRATED SYSTEMS LIMITED

Report of the directors for the year ended 31 December 2000 (continued)

DIRECTORS AND INTERESTS IN SHARES

The directors of the company during the year were I.S. Hoyle, R. Phillips and K.J. Korny

R. Phillips declared the following interest in the share capital of the parent company:

	Ordinary shares of £1 each	
	31 December 2000	1 January 2000
R. Phillips	24,330	24,330

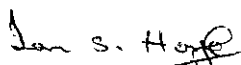
I.S. Hoyle is a director of the parent company and his shareholding interest is disclosed in the parent company's accounts.

No other director has a shareholding interest required to be disclosed by the Companies Act 1985.

AUDITORS

A resolution will be proposed at the Annual General Meeting that BDO Stoy Hayward be re-appointed as auditors to the company for the ensuing year.

On behalf of the board



I S Hoyle
Director

10 May 2001

Registered office:
Moat Factory
Wheathampstead
St. Albans
Herts

HELMET INTEGRATED SYSTEMS LIMITED

Report of the auditors

To the shareholders of Helmet Integrated Systems Limited:

We have audited the accounts on pages 4 to 16, which have been prepared under the accounting policies set out on pages 7 to 9.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of accounts. It is our responsibility as auditors to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 31 December 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward
Chartered Accountants
and Registered Auditors
HATFIELD

Date: 10 May 2001

HELMET INTEGRATED SYSTEMS LIMITED

Consolidated profit and loss account for the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover	1	9,686,258	8,321,783
Cost of sales		6,038,066	5,104,372
Gross profit		<u>3,648,192</u>	<u>3,217,411</u>
Distribution costs and administrative expenses	2	3,086,105	2,856,253
Operating profit		<u>562,087</u>	<u>361,158</u>
Interest receivable		464	9,898
Interest payable	3	(51,045)	(51,601)
Profit on ordinary activities before taxation	4	<u>511,506</u>	<u>319,455</u>
Taxation on profit on ordinary activities	6	154,806	87,000
Profit on ordinary activities after taxation		<u>356,700</u>	<u>232,455</u>
Dividends		200,000	-
Retained profit for the financial year		<u><u>156,700</u></u>	<u><u>232,455</u></u>

Statement of total recognised gains and losses for the year ended 31 December 2000

	2000 £	1999 £
Profit on ordinary activities after taxation	356,700	232,455
Exchange rate difference on translation of subsidiaries	(33,797)	(2,398)
Total recognised gains and losses	<u><u>322,903</u></u>	<u><u>230,057</u></u>

Details of the movements in reserves are shown in note 15 to the accounts.

All disclosures relate only to continuing operations.

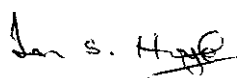
The notes on pages 7 to 16 form part of these financial statements.

HELMET INTEGRATED SYSTEMS LIMITED

Consolidated balance sheet at 31 December 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	7	1,461,166	1,506,484
Current assets			
Stocks and work in progress	9	1,275,869	1,150,395
Debtors	10	2,637,267	2,104,388
Cash at bank and in hand		22,878	17,796
		<u>3,936,014</u>	<u>3,272,579</u>
Creditors - amounts falling due within one year	11	<u>2,853,877</u>	<u>2,353,554</u>
Net current assets		<u>1,082,137</u>	<u>919,025</u>
Total assets less current liabilities		<u>2,543,303</u>	<u>2,425,509</u>
Creditors - amounts falling due after more than one year	12	7,538	10,647
Provision for liabilities and charges	13	128,000	130,000
		<u>2,407,765</u>	<u>2,284,862</u>
Capital and reserves			
Called up share capital	14	400,500	400,500
Profit and loss account	15	2,007,265	1,884,362
Equity shareholders' funds	16	<u>2,407,765</u>	<u>2,284,862</u>

Approved by the board on 10 May 2001



I S Hoyle
Director

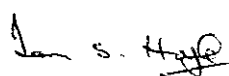
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HELMET INTEGRATED SYSTEMS LIMITED

Company balance sheet at 31 December 2000

	Note	£	2000	£	£	1999	£
Fixed assets							
Tangible assets	7		1,426,402			1,471,579	
Investments	8		401,117			401,117	
			<u>1,827,519</u>			<u>1,872,696</u>	
Current assets							
Stocks and work in progress	9	1,257,694			1,129,246		
Debtors	10	3,150,679			2,550,270		
Cash at bank and in hand		16,367			13,234		
		<u>4,424,740</u>			<u>3,692,750</u>		
Creditors - amounts falling due within one year	11	<u>3,265,144</u>			<u>2,754,158</u>		
Net current assets			<u>1,159,596</u>			<u>938,592</u>	
Total assets less current liabilities			<u>2,987,115</u>			<u>2,811,288</u>	
Creditors - amounts falling due after more than one year	12		7,538			10,647	
Provision for liabilities and charges	13		128,000			130,000	
			<u>2,851,577</u>			<u>2,670,641</u>	
Capital and reserves							
Called up share capital	14		400,500			400,500	
Profit and loss account	15		2,451,077			2,270,141	
Equity shareholders' funds			<u>2,851,577</u>			<u>2,670,641</u>	

Approved by the board on 10 May 2001



I S Hoyle
Director

The notes on pages 7 to 16 form part of these financial statements.

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000

1. ACCOUNTING POLICIES

Basis of preparation:

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation:

The consolidated profit and loss account includes the results of the company and any trading subsidiaries for the year ended 31 December 2000. The consolidated balance sheet includes the assets and liabilities of the company and its subsidiaries at that date.

As permitted by Section 230 of the Companies Act 1985, no profit and loss account of the parent company is presented.

Turnover:

Turnover is stated exclusive of value added tax and trade discounts. The directors are of the opinion that disclosure of a geographical analysis of turnover would be seriously prejudicial to the group's business.

Depreciation of tangible fixed assets:

Short-term leasehold improvements are written off over the remaining term of the lease. Other fixed assets are being depreciated so as to write them off over their anticipated useful lives at the following annual rates based on cost:

Plant and machinery	10.0 %
Fixtures and fittings	10.0 %
Motor vehicles	25.0 %
Moulds	15.0 %
Computer	25.0 %
Exhibition equipment	33.3 %

Stocks and work in progress:

Stocks and work in progress are stated at the lower of cost and net realisable value.

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (continued)

1. ACCOUNTING POLICIES (continued)

Long-term contracts:

Profit on long-term contracts is recognised as the work is carried out if the final outcome can be assessed with reasonable certainty.

The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end by recording turnover and related costs as contract activity progresses. Full provision is made for estimated losses on all contracts in the year in which they are first foreseen.

Lease and hire purchase contracts:

Assets being acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and their anticipated useful lives. The obligation to make future rental payments, net of future finance charges, is recognised as a liability in the balance sheet. The interest element of the lease and hire purchase payments is charged to the profit and loss account at a constant rate over the period of the agreement.

Operating lease charges have been expensed in the year to which they relate.

Deferred taxation:

Provision is made for the deferred taxation liability arising from timing differences to the extent that it is probable that the tax will become payable in the foreseeable future.

Deferred taxation has been provided at the rate applicable to the future accounting periods in which it is foreseen that timing differences will be reversed.

Research and development:

Research and development costs are written off in the year in which they are incurred.

Foreign currency transactions:

Foreign currency transactions have been translated at the rates ruling at the times of the transactions. Foreign currency balances have been translated at the rate of exchange ruling at the balance sheet date. Any differences are dealt with in the profit and loss account.

The accounts of the overseas subsidiary undertaking are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves.

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (continued)

1. ACCOUNTING POLICIES (continued)

Pension costs:

Helmet Integrated Systems Limited is a member of a group pension scheme which is a defined contribution scheme. The assets of the scheme are held in an independently administered fund. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

	2000 £	1999 £
2. DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES		
Distribution costs	869,895	765,409
Administration expenses	2,216,210	2,090,844
	<u>3,086,105</u>	<u>2,856,253</u>
3. INTEREST PAYABLE		
Finance charge from parent company	50,000	50,000
Finance lease interest	1,045	1,601
	<u>51,045</u>	<u>51,601</u>
4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation has been arrived at after charging:		
Depreciation of fixed assets:		
- owned by the group	319,275	379,712
- held under finance lease and hire purchase contracts	3,207	3,207
Auditors' remuneration:		
- parent company	17,500	16,000
- subsidiary companies	-	-
Other operating lease payments:		
- property	195,250	195,250
- plant and machinery	85,507	65,120
	<u> </u>	<u> </u>

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (continued)

	2000	1999
5. DIRECTORS AND OTHER EMPLOYEES		
The average number of persons employed by the group was as follows:		
	Number	Number
Production	117	119
Selling and distribution	21	19
Administration	48	46
	<u>186</u>	<u>184</u>
	£	£
Staff costs include the following:		
Wages and salaries	2,781,105	2,701,613
Social security costs	254,857	248,532
Other pension costs		
- money purchase	91,816	92,300
	<u>3,127,778</u>	<u>3,042,445</u>
Directors' emoluments were as follows:		
Directors' remuneration	353,633	290,634
Company contributions to money purchase pension schemes	17,258	17,022
	<u>370,891</u>	<u>307,656</u>
	Number	Number
Number of directors accruing benefits under money purchase pension schemes	<u>3</u>	<u>3</u>
Highest paid director:	£	£
Director's remuneration	184,567	139,212
Company contributions to money purchase pension schemes	2,822	2,532
	<u>187,389</u>	<u>141,744</u>

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (continued)

	2000 £	1999 £
6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES		
Corporation tax based on the taxable profits for the year	161,566	73,000
Adjustment relating to prior years		
- corporation tax	1,550	-
Group relief surrendered	(6,310)	-
	<u>156,806</u>	<u>73,000</u>
Deferred tax		
- Current year	(2,000)	14,000
	<u>154,806</u>	<u>87,000</u>

7. TANGIBLE FIXED ASSETS

GROUP

	Short leasehold buildings & improvements £	Plant, vehicles and equipment £	Total £
Cost:			
At 1 January 2000	354,844	4,688,468	5,043,312
Additions	11,906	271,183	283,089
Disposals	-	(17,925)	(17,925)
At 31 December 2000	<u>366,750</u>	<u>4,941,726</u>	<u>5,308,476</u>
Depreciation:			
At 1 January 2000	318,696	3,218,132	3,536,828
Charge for the year	16,018	306,464	322,482
Disposals	-	(12,000)	(12,000)
At 31 December 2000	<u>334,714</u>	<u>3,512,596</u>	<u>3,847,310</u>
Net book value:			
At 31 December 2000	<u>32,036</u>	<u>1,429,130</u>	<u>1,461,166</u>
At 31 December 1999	<u>36,148</u>	<u>1,470,336</u>	<u>1,506,484</u>

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (continued)

7. TANGIBLE FIXED ASSETS (continued)

The net book value of plant, vehicles and equipment includes £3,207 (1999: £6,414) in respect of assets being acquired under finance lease and hire purchase contracts.

	Short leasehold buildings & improvements £	Plant, vehicles and equipment £	Total £
COMPANY			
Cost:			
At 1 January 2000	354,844	4,644,444	4,999,288
Additions	11,906	262,623	274,529
Disposal	-	(17,925)	(17,925)
At 31 December 2000	<u>366,750</u>	<u>4,889,142</u>	<u>5,255,892</u>
Depreciation:			
At 1 January 2000	318,696	3,209,013	3,527,709
Charge for the year	16,018	297,763	313,781
Disposals	-	(12,000)	(12,000)
At 31 December 2000	<u>334,714</u>	<u>3,494,776</u>	<u>3,829,490</u>
Net book value:			
At 31 December 2000	<u>32,036</u>	<u>1,394,366</u>	<u>1,426,402</u>
At 31 December 1999	<u>36,148</u>	<u>1,435,431</u>	<u>1,471,579</u>
The net book value of plant, vehicles and equipment includes £3,207 (1999: £6,414) in respect of assets being acquired under finance lease and hire purchase contracts.			

8. INVESTMENTS

COMPANY

	£
Cost:	
At 1 January and 31 December 2000	<u>401,117</u>

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (continued)

8. INVESTMENTS (continued)

COMPANY

The subsidiary undertakings, all of which are wholly owned, are as follows:

Helmets Limited
Top Tek International Limited
Pureflo Safety Limited

None of the above subsidiaries traded during the year.

Interactive Safety Products Inc - registered in USA

This company's principal activity was the marketing, testing and assembly of protective helmets for military air crew, emergency services, communication systems, visors and associated equipment.

	2000 GROUP £	1999 GROUP £	2000 COMPANY £	1999 COMPANY £
9. STOCKS AND WORK IN PROGRESS				
Raw materials and consumables	859,935	579,280	841,760	558,131
Work in progress	356,424	517,917	356,424	517,917
Finished goods	59,510	53,198	59,510	53,198
	<u>1,275,869</u>	<u>1,150,395</u>	<u>1,257,694</u>	<u>1,129,246</u>
10. DEBTORS				
Trade debtors	2,038,074	1,342,196	2,016,180	1,326,933
Amounts owed by group undertakings	-	-	540,074	466,497
Other debtors	3,000	7,952	3,000	2,600
Prepayments and accrued income	118,974	193,657	114,206	193,657
Amounts recoverable on long term contracts	477,219	560,583	477,219	560,583
	<u>2,637,267</u>	<u>2,104,388</u>	<u>3,150,679</u>	<u>2,550,270</u>

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (continued)

	2000 GROUP £	1999 GROUP £	2000 COMPANY £	1999 COMPANY £
11. CREDITORS - amounts falling due within one year				
Bank overdraft	1,129,874	1,088,520	1,129,874	1,088,520
Trade creditors	900,500	567,533	897,864	563,322
Amount owed to ultimate parent company	164,984	176,659	182,794	188,159
Amount owed to group undertakings	-	-	400,497	400,497
Corporation tax	161,566	72,277	161,566	72,277
Taxation and social security	211,077	191,486	208,669	189,123
Other creditors	19,471	20,012	19,471	20,012
Accruals and deferred income	266,405	237,067	264,409	232,248
	<u>2,853,877</u>	<u>2,353,554</u>	<u>3,265,144</u>	<u>2,754,158</u>

The bank overdraft facility is secured by charges over the company's assets. The charges also secure liabilities to the bank of the ultimate parent company and other group undertakings.

12. CREDITORS - amounts falling due after more than one year

Obligations under finance lease and hire purchase contracts - between two and five years	<u>7,538</u>	<u>10,647</u>	<u>7,538</u>	<u>10,647</u>
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13. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

Balance at 1 January 2000	130,000	116,000	130,000	116,000
Profit and loss account	(2,000)	14,000	(2,000)	14,000
Balance at 31 December 2000	<u>128,000</u>	<u>130,000</u>	<u>128,000</u>	<u>130,000</u>
The balance comprises:				
Accelerated capital allowances	150,000	150,000	150,000	150,000
Other timing differences	(22,000)	(20,000)	(22,000)	(20,000)
	<u>128,000</u>	<u>130,000</u>	<u>128,000</u>	<u>130,000</u>

All deferred taxation has been provided in full.

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (continued)

	2000 GROUP £	1999 GROUP £	2000 COMPANY £	1999 COMPANY £
14. CALLED UP SHARE CAPITAL				
Authorised: 1,000,000 ordinary shares of £1 each	1,000,000	1,000,000	1,000,000	1,000,000
Allotted and fully paid: 400,500 ordinary shares of £1 each	400,500	400,500	400,500	400,500
15. PROFIT AND LOSS ACCOUNT				
At 1 January 2000	1,884,362	1,654,305	2,270,141	1,852,293
Retained profit for the year	156,700	232,455	180,936	417,848
Currency translation difference	(33,797)	(2,398)	-	-
At 31 December 2000	2,007,265	1,884,362	2,451,077	2,270,141
16. RECONCILIATION OF SHAREHOLDERS' FUNDS				
Shareholders' funds at 1 January 2000	2,284,862	2,054,805	2,670,641	2,252,793
Currency translation difference	(33,797)	(2,398)	-	-
Profit for the year	356,700	232,455	380,936	417,848
Dividends	(200,000)	-	(200,000)	-
Shareholders' funds at 31 December 2000	2,407,765	2,284,862	2,851,577	2,670,641
17. FUTURE CAPITAL EXPENDITURE				
Contracted for but not provided	18,583	62,014	18,583	62,014

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2000 (continued)

	2000 GROUP £	1999 GROUP £	2000 COMPANY £	1999 COMPANY £
18. OTHER FINANCIAL COMMITMENTS				
Annual commitments under operating leases				
Land and buildings:				
Expiring within one year	-	-	-	-
Expiring between one and two years	-	110,000	-	110,000
Expiring between two and five years	110,000	-	110,000	-
Expiring after five years	85,250	85,250	85,250	85,250
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other:				
Expiring within one year	14,309	26,863	11,890	26,863
Expiring between two and five years	59,283	37,173	58,867	37,173
Expiring after five years	1,711	1,084	1,711	1,084
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

19. RELATED PARTY TRANSACTIONS

The company has relied on the exemption granted by FRS 8 not to disclose transactions with its parent company.

20. ULTIMATE PARENT COMPANY

The directors regard Middlemace Limited as the company's ultimate parent company.

21. ULTIMATE CONTROLLING PARTY

I.S. Hoyle and his wife are trustees of a trust. The shares in Middlemace Limited held by the trust, if aggregated with Mr. and Mrs. Hoyle's personal holdings, would amount to 50.57% of the issued share capital.